

Office of
The City Attorney
City of San Diego

MEMORANDUM
MS 59

(619) 236-6220

DATE: June 22, 2009
TO: Councilmember Donna Frye
FROM: City Attorney
SUBJECT: Response to June 11, 2009 Memorandum re Redevelopment Area CDBG Loans

We have received your above-referenced memorandum raising concerns about the ability of certain redevelopment project areas within the City to repay to the City loans of federal Community Development Block Grant ["CDBG"] funds. As was indicated to you at the June 16, 2009 special meeting of the Redevelopment Agency ["RDA"], the existence of the loans and the potential that any accelerated repayment of the loans could impair the ability of certain redevelopment project areas to function is disclosed on page 68 of the fiscal year 2008 RDA Annual Financial Report ["AFR"]. This disclosure occurs in the "Contingencies" section of the notes to the AFR as the City and RDA are currently in negotiations on the timing and nature of any repayment schedule. Further disclosure of the loans occurs on page 59 of the AFR under "Governmental Activities Long-Term Debt." This note discloses the amount of the loans and describes how interest on the loans is calculated.

In addition to the disclosures in the AFR, the RDA makes disclosures specific to the CDBG loans in a preliminary official statement ["POS"] that will be considered by the Board of the RDA at the meeting of June 23, 2009. In the body of the POS on page 24, under the "Outstanding Indebtedness" heading, the amount of the loans owed by the North Park Redevelopment Project Area (approximately \$2.8 million) is disclosed. This is followed by a brief description of the audit by the Department of Housing and Urban Development ["HUD"], the federal agency that administers the CDBG program. The reader is then referred to the disclosure in the AFR, relevant excerpts of which are appended to the POS and are an integral part of the POS. The loans are discussed again on page 4 of the Fiscal Consultant Report, which is also appended to the POS.

The matter of the loans and the finding of the HUD audit are significant but we believe that the issue has been fully and appropriately disclosed in the RDA documents discussed above as well as in City disclosure documents, particularly the City's Fiscal Year 2008 Comprehensive Annual

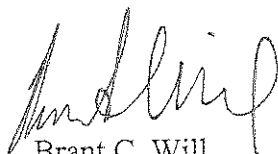
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Financial Report ["CAFR"]. As a blended component unit of the City, RDA information appears in the CAFR. CAFR note 18, "Contingencies," contains a discussion of the HUD audit and an explanation of the differing ways the loans are presented in the RDA and City financial statements per applicable accounting standards.

You should also be aware that the Disclosure Practices Working Group has considered this matter at length and all of the disclosures discussed above have been approved by that body with the concurrence of the City's General Disclosure Counsel. Thank you for bringing your concerns to our attention and we hope they have been answered to your satisfaction.

JAN I. GOLDSMITH, City Attorney

By 
Brant C. Will
Deputy City Attorney

BCW:bcw

cc: President and Members of the City Council
Mayor, Jerry Sanders
Andrea Tevlin, Independent Budget Analysts
Stanley Keller, Independent Consultant, Edwards Angell Palmer & Dodge
John McNally, Disclosure Counsel, Hawkins Delafield & Wood